

Message Text

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ACTION STR-01

INFO OCT-01 ISO-00 AGR-03 AID-05 CEA-01 CIAE-00 COME-00

EB-03 EA-07 EUR-10 FRB-01 INR-10 IO-03 NEA-06 NSAE-00

RSC-01 OPIC-02 SP-02 TRSE-00 CIEP-01 LAB-01 SIL-01

SWF-01 OMB-01 SS-14 NSC-07 L-02 H-01 PA-01 PRS-01

USIA-04 AEC-05 DODE-00 FEAE-00 FPC-01 INT-01 PM-03

SAM-01 SCI-03 DRC-01 XMB-01 /107 W

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R 101709Z OCT 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 2209

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

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FOR MAJOR DENEND WITH EBERLE PARTY

E.O. 11652: N/A

TAGS: ETRD, BE, OVIP (EBERLE, WILLIAM D.)

SUBJECT: VISIT TO BELGIUM OF AMBASSADOR EBERLE ON PRESIDENTIAL
ECONOMIC MISSION

INTRODUCTION/SUMMARY

1. AMBASSADOR EBERLE MADE FULL PRESENTATION AND EXPLANATION

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OF PRESIDENT'S ECONOMIC PROGRAM AT SEPARATE MEETINGS WITH

BELGIAN PRIME MINISTER TINDEMANS AND THEN WITH REPRESENTATIVES OF BENELUX COUNTRIES AT MEETING CHAIRED BY BELGIAN DIRECTOR GENERAL FOR POLITICAL AFFAIRS IN FOREIGN MINISTRY, DAVIGNON. BENELUX COUNTRIES HELD BRIEF CAUCUS PRIOR MEETING WITH EBERLE MISSION AT WHICH THEY PREPARED QUESTIONS WHICH THEY ASKED AT MEETING WITH EBERLE. FOLLOWING MEETING WITH BENELUX, AMBASSADOR EBERLE HELD PRESS CONFERENCE. (BRUSSELS EC 7888). FOLLOWING ARE HIGHLIGHTS OF MEETINGS.

EBERLE MISSION LEFT BEFORE THIS MESSAGE COULD BE DRAFTED.

(A) BOTH PRIME MINISTER AND BENELUX REPRESENTATIVES EXPRESSED APPRECIATION FOR PRESIDENT FORD'S INITIATIVE IN SENDING AMBASSADOR EBERLE ABROAD SO PROMPTLY TO DISCUSS U.S. DOMESTIC ECONOMIC POLICY MEASURES AND THEIR PROBABLE IMPACT ON EUROPE.

(B) DAVIGNON, SUMMARIZING BENELUX POSITION SAID, AS A GROUP, BENELUX HAS FUNDAMENTAL INTEREST IN ECONOMIC COOPERATION AND CONSULTATION WITH U.S. AND WOULD BE LOOKING AT PRESIDENT'S PROGRAM IN MORE CONSIDERED WAY AND IN DEPTH IN EC FRAMEWORK. DAVIGNON NOTED BENELUX DISSATISFACTION WITH THE MEETINGS OF THE G-5 WHICH HAD EXCLUDED THE BENELUX. HE SAID IT WAS ESSENTIAL TO CONTINUE MONETARY TALKS IN EXISTING INSTITUTIONS.

2. ON SPECIFIC ISSUES, FOLLOWING QUESTIONS AND COMMENTS WERE PRESENTED:

(A) FOOD -- PRIME MINISTER WAS PLEASED THAT PRESIDENT HAD NOT ANNOUNCED EXPORT CONTROLS ON FOOD. HE SAID IT WAS IMPORTANT TO CREATE CIRCUMSTANCES UNDER WHICH DEVELOPING COUNTRIES COULD PRODUCE LARGER SHARE OF WORLD'S FOOD REQUIREMENTS AND SAID HE FAVORED COMMODITY AGREEMENTS TO ENCOURAGE DEVELOPING COUNTRIES TO PRODUCE THOSE PRODUCTS THEY COULD PRODUCE MOST EFFICIENTLY.

AMBASSADOR EBERLE SAID IT WAS IMPORTANT NOT TO DISRUPT NORMAL OPERATION OF MARKET FORCES BUT COMMODITY AGREEMENTS COULD BE VALUABLE TOOLS TO MODERATE EXCESSIVE PRICE FLUCTUATIONS.

(B) ENERGY -- PRIME MINISTER SAID BELGIUM CONTINUES ACTIVELY SUPPORT U.S. EFFORT DEVELOP A COMMON APPROACH BY MAJOR OIL CONSUMING NATIONS TO PROBLEM CREATED BY INCREASED OIL PRICES. HE NOTED BELGIUM HAS RECENTLY LIMITED OFFICIAL USE

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ADOPTED SOME MEASURES TO REDUCE ENERGY CONSUMPTION.

AT BENELUX MEETING, DAVIGNON EXPRESSED HIGH HOPES FOR INCORPORATION OF IEP IN OECD NEXT MONTH AND SAID HE HOPED COUNTRIES ACCEPTING IEP WOULD ADOPT IDENTICAL PROGRAMS IN ENERGY FIELD.

VAN YPERSELE (BELGIAN MINISTRY OF FINANCE) ASKED EBERLE IF HE THOUGHT OIL TARGET, I.E. REDUCTION OF ONE MILLION BARRELS A DAY OF OIL IMPORTS, WAS FIRM AND

ACHIEVABLE. EBERLE REPLIED THIS TARGET WAS REALISTIC
AND COULD BE MET.

(A) FISCAL POLICY -- PRIME MINISTER SAID HE HAD
CAREFULLY NOTED PRESIDENT'S REQUEST FOR ADDITIONAL TAXES
AND AMBASSADOR EBERLE'S SUGGESTION THAT OTHER COUNTRIES
FOLLOW SUIT. HE EXPLAINED POLITICAL DIFFICULTIES
IN HIS GOVERNMENT OF REDUCING GOVERNMENTAL EXPENDITURES
OR INCREASING TAXES. PRIME MINISTER SAID GOVERNMENTAL
EXPENDITURES WERE EXPECTED TO INCREASE THIS FISCAL
YEAR BY ABOUT 16 PERCENT AND ACKNOWLEDGED THIS
WAS TOO HIGH.

(B) TRADE AND MONETARY POLICY -- DUTCH REPRESENTATIVE
FROM MINISTRY OF FINANCE, KLOORJEN), ASKED WHAT WE
EXPECTED IMPACT OF U.S. INTERNAL ECONOMIC MEASURES WOULD
BE ON THE REST OF WORLD, PARTICULARLY TRADE IMPACT AND
BALANCE OF PAYMENTS, AND WHAT WE THOUGHT MIGHT HAPPEN
TO INTEREST RATES.

AMBASSADOR EBERLE SAID THE U.S. WAS PREPARED TO RUN
DEFICITS IN SHORT-TERM. THIS ASSUMED THAT OTHER
COUNTRIES WOULD NOT ATTEMPT ACHIEVE GREAT TURN-AROUNDS IN
THEIR BALANCE OF PAYMENTS SITUATIONS AND THAT THEY
WOULD MAINTAIN OPEN MARKETS FOR TRADE AND FINANCIAL FLOWS.
BOEKER SAID THAT TRADE DEFICIT PROBABLY WOULD BE \$5
BILLION IN 1974 AND PROBABLY WOULD BE IN \$10 BILLION
RANGE IN 1975.

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FOR MAJ. DENEND WITH EBERLE PARTY

HE NOTED THAT IN FIRST NINE MONTHS WE BELIEVE ONE-QUARTER OF OIL PRODUCING COUNTRIES' SURPLUS FINANCIAL FLOWS WENT TO U.S. SMALLER SHARE NOW APPEARS TO BE GOING TO U.S. HE NOTED THAT IF FLOWS INCREASE ABOVE THEIR PRESENT LEVEL, WE WOULD LIKE TO SEE SUBSTANTIAL SECONDARY RECYCLING OF THESE FUNDS TO OTHER COUNTRIES-PARTICULARLY EUROPE.

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ON INTEREST RATES, SEEVERS SAID THAT THERE HAD BEEN REDUCTION IN U.S. SHORT-TERM INTEREST RATES IN LAST FEW MONTHS. WE DO NOT EXPECT THESE RATES TO CONTINUE TO DROP. LONG-TERM RATES HAD NOT DROPPED AS MUCH. UNTIL INFLATION RATES COME DOWN, U.S. DOES NOT EXPECT LONG-TERM INTEREST RATES TO COME DOWN. WE SEE RELIEF ON ALL INTEREST RATES IN 1975, BUT GRADUALLY. THE IMPACT OF THE PRESIDENT'S NEW POLICY ON DEMAND WAS EXPECTED TO BE ROUGHLY NEUTRAL AND THUS WOULD NOT ADVERSELY AFFECT THE EXPORTS OF OUR TRADING PARTNERS.

4. DUTCH REPRESENTATIVE IN MINISTRY OF ECONOMY, DE GROOTH, EXPRESSED CONCERN ABOUT PROSPECTS FOR TRADE EXPANSION ACT AND SAID WOULD BE DANGEROUS TO LOSE MOMENTUM OF TOKYO ROUND. HE HOPED TO AVOID POSSIBILITY THAT MULTILATERAL TRADE NEGOTIATIONS WOULD NOT GET GOING, RESULTING IN SUBSEQUENT PROSPECT OF ADOPTION OF UNILATERAL MEASURES TO PROTECT TRADE.

AMBASSADOR EBERLE SAID THE PROSPECTS FOR TRADE BILL WERE FAVORABLE. HE SAID THAT TALKS BETWEEN SECRETARY KISSINGER AND KEY SENATORS ON THE JACKSON-VANIK AMENDMENT WERE MAKING PROGRESS. SAID HE EXPECTS APPROVAL OF TEA AFTER CONGRESSIONAL RECESS IN NOVEMBER.

5. GNP AND ECONOMIC GROWTH -- VAN YPERSELE, BELGIAN
MINISTRY OF FINANCE, ASKED WHETHER U.S. PROJECTION AT
OECD OF 4 PERCENT GNP INCREASE IN 1974 WAS STILL VALID
AND ASKED HOW WE WOULD CHARACTERIZE GLOBAL EFFECT OF U.S.
ECONOMIC PROGRAM PACKAGE.

SEEVERS SAID WE WILL NOT HAVE SECOND HALF YEAR
RECOVERY AS PROJECTED BY U.S. AT LAST OECD-EPC MEETING.
NEW INFORMATION ON ECONOMY SHOWS MAIN REASON FOR THIS
SITUATION IS THAT HOUSING HAS DROPPED OFF AND
THAT INVENTORIES ARE LARGER THAN BELIEVED. THIS YEAR
WE EXPECT SMALL DECLINE IN REAL GNP AND RETURN TO
NORMAL RATE OF GROWTH BY END OF 1975.

AMBASSADOR EBERLE SAID U.S. PROGRAM WAS NEUTRAL IN
ITS ORIENTATION; WAS NOT TRADITIONAL ANTI-INFLATION
PROGRAM, BUT WAS DESIGNED TO HELP THOSE SECTORS SPECIALLY
INJURED, TO GIVE BUSINESS CONFIDENCE, AND TO BRING ECONOMY
TO GROWTH AND STABILITY. WE HAVE ADOPTED
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MICRO-ECONOMIC APPROACH TO ACHIEVE OVERALL MACRO-ECONOMIC
RESULT.

6. CONCLUSION -- AT CONCLUSION OF BENELUX MEETING,
DAVIGNON EXPRESSED APPRECIATION FOR AMBASSADOR EBERLE'S
VISIT AND FOR FULL EXCHANGE OF VIEWS.
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